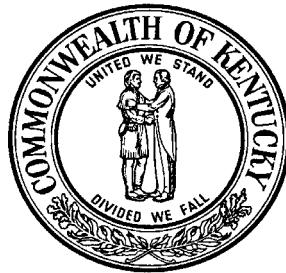


**REPORT OF THE AUDIT OF THE
MENIFEE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2002**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MENIFEE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2002**

The Auditor of Public Accounts was engaged to audit the Meniffee County Fiscal Court for fiscal year ended June 30, 2002. We have disclaimed an opinion on the financial statements. The Fiscal Court has weaknesses in their financial reporting function. We were unable to agree amounts recorded on the financial statements prepared by management to the supporting ledgers. In addition, many of the supporting ledgers could not be located. The Fiscal Court has serious weaknesses in the design and operation of its system of accounts which affect the completeness and the accuracy of the financial statements. Because of the significance of these matters, we are unable to express an opinion on the financial statements.

Report Comments:

- The Treasurer Did Not Prepare An Accurate and Complete 4th Quarter Financial Statement
- The 4th Quarter Financial Statement Was Not Filed Timely With The Department For Local Government And Did Not Reflect The True Financial Condition Of The County
- The Fiscal Court's Adopted Budget Does Not Agree To The Budget Presented On The 4th Quarter Financial Statement
- Budget Amendments Were Not Posted On 4th Quarter Financial Statement
- Budgeted Receipts Did Not Agree To Budgeted Expenditures
- The Fiscal Court Should Budget All Receipts and Expenditures
- The County Should Maintain All Financial Reports
- The Fiscal Court Should Invest Monies In Interest-Bearing Accounts
- The Fiscal Court Should Prepare The Federal Monies Worksheet
- Lacks Adequate Segregation Of Duties

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Hershell L. Sexton, Former Menifee County Judge/Executive
Honorable James D. Trimble, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

Independent Auditor's Report

We were engaged to audit the statement of assets, liabilities, and equity arising from cash transactions of Menifee County, Kentucky, as of June 30, 2002, and the statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of Menifee County, Kentucky's management.

During our engagement, we noted that the Fiscal Court had weaknesses in their financial reporting function. We were unable to agree amounts recorded on the fourth quarter financial statement prepared by management to the supporting ledgers. In addition, many of the supporting ledgers could not be located. The Fiscal Court has serious weaknesses in the design and operation of its system of accounts which affect the completeness and the accuracy of the fourth quarter financial statement. We were unable to satisfy ourselves about the accuracy and completeness of the fourth quarter financial statement by means of other auditing procedures.

Because we were unable to obtain accurate and complete financial records, and we were unable to apply other auditing procedures regarding the financial reporting system of accounts as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2004, on our consideration of Menifee County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our work performed.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Hershell L. Sexton, Former Menifee County Judge/Executive
Honorable James D. Trimble, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

Based on the results of our work performed, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The Treasurer Did Not Prepare An Accurate and Complete 4th Quarter Financial Statement
- The 4th Quarter Financial Statement Was Not Filed Timely With The Department For Local Government And Did Not Reflect The True Financial Condition Of The County
- The Fiscal Court's Adopted Budget Does Not Agree To The Budget Presented On The 4th Quarter Financial Statement
- Budget Amendments Were Not Posted On 4th Quarter Financial Statement
- Budgeted Receipts Did Not Agree To Budgeted Expenditures
- The Fiscal Court Should Budget All Receipts and Expenditures
- The County Should Maintain All Financial Reports
- The Fiscal Court Should Invest Monies In Interest-Bearing Accounts
- The Fiscal Court Should Prepare The Federal Monies Worksheet
- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
March 19, 2004

MENIFEE COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Hershell L. Sexton	County Judge/Executive
Glenn Mullins	Magistrate
Kenneth Patrick	Magistrate
Bill Ledford	Magistrate
Gary Shrout	Magistrate
Adron Carty	Magistrate

Other Elected Officials:

John Nefzger	County Attorney
Ruby Morrison	Jailer
JoAnn Curtis	County Clerk
Karen Wells	Circuit Court Clerk
Rodney Coffey	Sheriff
Jim Lawson	Property Valuation Administrator
Tammy Perry	Coroner

Appointed Personnel:

Barbara Ball	County Treasurer
Phyllis Bush	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY BALANCES ARISING FROM CASH TRANSACTIONS

MENIFEE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY BALANCES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2002

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only) Reporting Entity</u>
	<u>General</u>	<u>Special Revenue</u>	
<u>Assets</u>			
Cash	\$ 67,818	\$ 10,146	\$ 77,964
Total Assets	<u>\$ 67,818</u>	<u>\$ 10,146</u>	<u>\$ 77,964</u>
<u>Equity</u>			
Fund Balances:			
Unreserved	\$ 67,818	\$ 10,146	\$ 77,964
Total Equity	<u>\$ 67,818</u>	<u>\$ 10,146</u>	<u>\$ 77,964</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MENIFEE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Operating Revenue	\$ 541,913	\$ 754,391	\$ 28,302	\$ 21,000
Other Financing Sources:				
Transfers In	36,974	77,000	53,475	25,000
Total Cash Receipts	<u>\$ 578,887</u>	<u>\$ 831,391</u>	<u>\$ 81,777</u>	<u>\$ 46,000</u>
<u>Cash Disbursements</u>				
Budgeted Expenditures	\$ 464,475	\$ 853,566	\$ 102,558	\$ 76,963
Other Financing Uses:				
Transfers Out	111,709			
Total Cash Disbursements	<u>\$ 576,184</u>	<u>\$ 853,566</u>	<u>\$ 102,558</u>	<u>\$ 76,963</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 2,703	\$ (22,175)	\$ (20,781)	\$ (30,963)
Cash Balance - July 1, 2001	4,679			
Cash Balance - June 30, 2002	<u>\$ 7,382</u>	<u>\$ (22,175)</u>	<u>\$ (20,781)</u>	<u>\$ (30,963)</u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
 STATEMENT OF CASH RECEIPTS,
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2002
 (Continued)

<u>Special Revenue Fund Type</u>			
<u>911 Emergency Fund</u>	<u>Park and Recreation Fund</u>	<u>Fire Protection Fund</u>	<u>Totals (Memorandum Only)</u>
\$ 72,790	\$ 25,000	\$ 1,348	\$ 1,444,744
725			193,174
<u>\$ 73,515</u>	<u>\$ 25,000</u>	<u>\$ 1,348</u>	<u>\$ 1,637,918</u>
\$ 75,846	\$ 20,098	\$	\$ 1,593,506
			111,709
<u>\$ 75,846</u>	<u>\$ 20,098</u>	<u>\$</u>	<u>\$ 1,705,215</u>
\$ (2,331)	\$ 4,902	\$ 1,348	\$ (67,297)
6,000		227	10,906
<u>\$ 3,669</u>	<u>\$ 4,902</u>	<u>\$ 1,575</u>	<u>\$ (56,391)</u>

The accompanying notes are an integral part of the financial statements.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON WORK PERFORMED



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Hershell Sexton, Former Menifee County Judge/Executive
Honorable James D. Trimble, Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On Work Performed

We were engaged to audit the financial statements of Menifee County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated March 19, 2004, wherein we disclaimed an opinion on those financial statements based on our inability to obtain accurate and complete financial records.

Compliance

As part of our work, we performed tests of Menifee County, Kentucky's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not our objective of our work, and accordingly, we do not express such an opinion. The results of our work disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Treasurer Did Not Prepare An Accurate and Complete 4th Quarter Financial Statement
- The 4th Quarter Financial Statement Was Not Filed Timely With The Department For Local Government And Did Not Reflect The True Financial Condition Of The County
- The Fiscal Court's Adopted Budget Does Not Agree To The Budget Presented On The 4th Quarter Financial Statement
- Budget Amendments Were Not Posted On 4th Quarter Financial Statement
- Budgeted Receipts Did Not Agree To Budgeted Expenditures
- The Fiscal Court Should Budget All Receipts and Expenditures
- The County Should Maintain All Financial Reports
- The Fiscal Court Should Invest Monies In Interest-Bearing Accounts
- The Fiscal Court Should Prepare The Federal Monies Worksheet



Report On Compliance And On Internal Control
Over Financial Reporting Based On Work Performed
(Continued)

Internal Control Over Financial Reporting

In planning and performing our work, we considered Menifee County's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Menifee County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition referred to above to be a material weakness.

This report is intended solely for the information and use of management is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
March 19, 2004

COMMENTS AND RECOMMENDATIONS

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS

For The Fiscal Year Ended June 30, 2002

NONCOMPLIANCES

1. The Treasurer Did Not Prepare An Accurate and Complete 4th Quarter Financial Statement

During the course of our engagement, we noted numerous problems related to the presentation and disclosure of the 4th Quarter Financial Statement as noted below:

- Amounts recorded on the front page of the 4th Quarter Financial Statement do not add correctly. Large variances exist.
- Numerous errors were noted for amounts recorded on the front page of the 4th Quarter Financial Statement. These amounts do not trace to supporting ledgers within the report.
- Transfers In and Transfers Out do not agree and have a difference of \$80,740. These amounts should always agree.
- Amounts posted to supporting schedules of the 4th Quarter Financial Statement do not trace to the Receipts Ledger and the Appropriations Ledger. Large variances exist.
- The account codes in the supporting schedules of the 4th Quarter Financial Statement were not presented in numerical order.

We recommend the Treasurer prepare an accurate 4th Quarter Financial Statement that depicts the true financial condition of the county.

Former County Judge/Executive Hershell Sexton's Response: [Neither the] Treasurer nor Judge Executive is working for County making it impossible to redo report.

2. The 4th Quarter Financial Statement Was Not Filed Timely With The Department For Local Government And Did Not Reflect The True Financial Condition Of The County

The Fiscal Court did not file the 4th Quarter Financial Statement in a timely manner. KRS 65.905 (2) states that the final quarterly report be filed by a county within 15 days after the end of the last quarter of the fiscal year. Furthermore, KRS 68.360(2), states that the 4th Quarter Financial Statement shall be deemed the uniform financial information report for that county if that quarterly report contains, at a minimum, all information required by KRS 65.910. The 4th Quarter Financial Statement was filed on October 30, 2002, with the Department For Local Government. In addition, the 4th Quarter Financial Statement did not reflect the true financial condition of the county.

We recommend the Treasurer file an accurate 4th Quarter Financial Statement in a timely manner.

Former County Judge/Executive Hershell Sexton's Response: OK.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Fiscal Year Ended June 30, 2002
(Continued)

NONCOMPLIANCES (Continued)

3. The Fiscal Court's Adopted Budget Does Not Agree To The Budget Presented On The 4th Quarter Financial Statement

We noted in three separate accounts in the General Fund and one in the Fire Fund that amounts on the 4th Quarter Financial Statement do not agree to the adopted budget. KRS 68.360 (1) states that the county treasurer shall balance his books on the first day of each month, so as to show the correct amount on hand belonging to each fund on the day the balance is made, and shall within ten (10) days file with the county judge/executive and members of the fiscal court a monthly statement containing a list of warrants paid by him during the month, showing all cash receipts and the cash balance at the beginning and at the end of the month, and certifying that each warrant or contract is within the budget appropriation.

We recommend the adopted budget be presented on the 4th Quarter Financial Statement in order for the Fiscal Court to properly manage the County's financial resources and not spend monies in excess of budgeted amounts.

Former County Judge/Executive Hershell Sexton's Response: OK.

4. Budget Amendments Were Not Posted On 4th Quarter Financial Statement

During our engagement, we noted that budget amendments were not posted to the 4th Quarter Financial Statement. All budget amendments should be posted to the 4th Quarter Financial Statement. Without posting the budget amendments to the 4th quarter Financial Statement, it is impossible to know if the County is operating within its authorized budget capacity.

We recommend all budget amendments for revenues and expenditures be recorded on the 4th Quarter Financial Statement.

Former County Judge/Executive Hershell Sexton's Response: OK.

5. Budgeted Receipts Did Not Agree To Budgeted Expenditures

Budgeted receipts did not agree to budgeted expenditures on the adopted budget of the Fiscal Court. The Budget of the Fiscal Court must balance. We recommend the Fiscal Court submit a balanced budget to the Department for Local Government.

Former County Judge/Executive Hershell Sexton's Response: OK.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Fiscal Year Ended June 30, 2002
(Continued)

NONCOMPLIANCES (Continued)

6. The County Should Maintain All Financial Reports

During the course of our fieldwork, the county was unable to provide a complete copy of the appropriation ledgers for all funds. The uniform system of accounts as established by the Department For Local Government requires appropriations expenditure ledgers to be maintained independently by the office of the county judge/executive and the county treasurer. In addition, reconciliations should be made at least monthly in order to insure accuracy.

We recommend that the county judge/executive and the treasurer maintain all financial records and make them readily available for the auditors.

Former County Judge/Executive Hershell Sexton's Response: Software was purchased mid year to generate these documents.

7. The Fiscal Court Should Invest Monies In Interest-Bearing Accounts

The Fiscal Court should invest monies in interest bearing accounts. Menifee County does not utilize interest-bearing accounts appropriately. The use of interest bearing accounts is a cash management practice that enables the County to obtain a greater benefit for its money. We recommend the County utilize interest-bearing accounts where possible.

Former County Judge/Executive Hershell Sexton's Response: Seldom there was available monies for interest accounts.

8. The Fiscal Court Should Prepare The Federal Monies Worksheet

During the course of our engagement, we noted that the Federal Monies Worksheet was not prepared. To help save on audit costs and to predetermine if the Fiscal Court will require a single audit, we recommend that the Federal Monies Worksheet be prepared by staff and include all Federal monies received and expended.

Former County Judge/Executive Hershell Sexton's Response: OK.

MENIFEE COUNTY
 COMMENTS AND RECOMMENDATIONS
 For The Fiscal Year Ended June 30, 2002
 (Continued)

REPORTABLE CONDITION

9. Lacks Adequate Segregation Of Duties

The Meniffee County Fiscal Court has a weakness in their internal controls due to a lack of adequate segregation of duties. To have better internal controls, it is a best practice to keep the receipt of cash, the disbursement of cash, and the posting of cash to the ledgers delegated to separate individuals. We recommend that a qualified office employee independent of check writing and posting duties, match purchase orders to checks and invoices. Also we recommend that the person opening the mail keep a listing of all checks received for that day, detailing the date received, the check amount, who it is from, and what the check is for. This will help segregate the duties of the Treasurer and may reduce audit costs in the future. Initialing the purchase orders, and invoices, by this person, and making sure the invoices are marked paid can be shown as evidence of improved segregation of duties.

Former County Judge/Executive Hershell Sexton's Response: OK.

PRIOR YEAR FINDINGS

The following prior year comments were not corrected and are repeated in this audit report:

- The Fiscal Court Should Invest Moneys In Interest-Bearing Accounts
- The County Lacks An Adequate Segregation Of Accounting Duties
- The County Should Prepare Accurate Classifications On Financial Reports And File An Accurate 4th Quarter Financial Statement
- No Schedule Of Federal Financial Assistance Was Maintained

The following prior year comments could not be followed-up on due to a lack of adequate documentation:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The County Did Not Maintain Financial Statements For The Public Properties Corporation Construction Accounts And Bond Related Bank Accounts
- The County Should More Adequately Track Payroll By Fund Type
- The County Should Maintain All Bank Statements And Reconcile All Bank Accounts
- The County Should Maintain Proper Documentation For All Disbursements

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

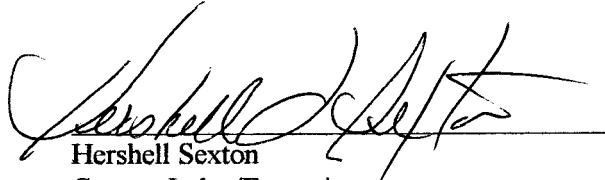
MENIFEE COUNTY FISCAL COURT

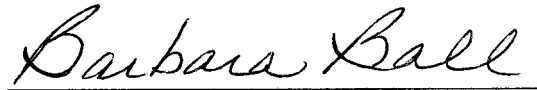
For The Fiscal Year Ended
June 30, 2002

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAMS
MENIFEE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Menifee County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Hershell Sexton
County Judge/Executive


Barbara Ball
County Treasurer

